



Minutes

29 May 2013

Project	Harford County Regional Water and Sewer Authority Concept Study	From	GHD Inc
Subject	Focus Workshop #2: Governance and Service Areas	Tel	240-206-6810
Venue/Date/Time	Harford County Council Chambers, 212 S. Bond St., Bel Air, MD, 18 April 2013 1:00 pm to 4:00 pm	Job No	86/15150/
Copies to	All attendees William Allen, Advisory Committee (AC)	William Farrell, AC Michael Bennett, AC and City of Aberdeen	
Attendees	Garrett Lyttle, Advisory Committee (AC) Bruce McMillin, AC William Russell, AC Craig Ward, AC Jerald Wheeler, AC Doug Miller, City of Aberdeen Randy Robertson, Bel Air Chris Schlehr, Bel Air Joel Caudill, Harford County Margaret Hartka, Harford County Kathryn Hewitt, Harford County Mary Kate Herbig, Harford County Darryl Irvins, Harford County Jackie Ludwig, Harford County	Tom Patti, Harford County Dave Pergrin, Harford County Tim Whittie, Harford County Donna Geiger, Havre de Grace Brad Jurkovac, GHD John Stullken, GHD Thor Young, GHD Joshua Belcher, Cozen O'Connor Michael Klein, Cozen O'Connor Ahren Tryon, Cozen O'Connor Ed Donahue, Municipal Financial Services Group (MFSG) David Hyder, MFSG	

The minutes below are intended to summarize the discussion during the meeting and supplement the materials distributed at the meeting. Ideas may be consolidated or reorganized from when they were actually presented during the meeting to provide a more coherent and intuitive record of discussion.

Loudoun Water Site Visit Review

Items	Minutes
1	<ul style="list-style-type: none"> • Loudoun Water has experienced rapid growth since the 1980s. <ul style="list-style-type: none"> ○ They experienced 10% annual growth for a number of years.
2	<ul style="list-style-type: none"> • Loudoun Water will begin to build its own water plant in 2017.
3	<ul style="list-style-type: none"> • Loudoun County has a distinct divide between the eastern portion and western portion. <ul style="list-style-type: none"> ○ Eastern Loudoun County is increasingly developed and where Dulles Airport is located. ○ Loudoun Water's service area is in eastern Loudoun County. ○ Western Loudoun County is still rural and will remain that way.
4	<ul style="list-style-type: none"> • Historically, Loudoun Water raised user rates sporadically. <ul style="list-style-type: none"> ○ Sometimes several years would pass without rate increases, followed by a relatively substantial rate increase. • Loudoun Water believes it is a better practice to raise rates annually in smaller increments. <ul style="list-style-type: none"> ○ They have used this practice over the last several years and recently adopted a series of inflationary increases in water and sewer rates
5	<ul style="list-style-type: none"> • The reimbursement window for developers/contractors to be reimbursed from Loudoun Water for the infrastructure they built is 10 years.
6	<ul style="list-style-type: none"> • Loudoun Water provides a good example of an authority in which local municipalities do not join. <ul style="list-style-type: none"> ○ Loudoun Water does not provide water or sewer services to municipalities that are encompassed within its service area.

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7	<ul style="list-style-type: none"> • Loudoun Water owns, operates and maintains several small systems that are not within their central service area. These can be classified in two categories: <ul style="list-style-type: none"> ○ Developer initiated/built for specific communities: <ul style="list-style-type: none"> ▪ Seven (7) of these systems ▪ These systems were built to Loudoun Water's specifications and turned over to Loudoun Water for operation. ▪ The customers served by these systems pay a higher rate than the user rates of those within the central service area. The higher rates reflect the higher cost of operation Loudoun Water incurs associated with these systems ○ Community sponsored systems installed due to public health concerns: <ul style="list-style-type: none"> ▪ These systems were initiated and built by Loudoun Water for public health reasons. ▪ The customers of these systems do not pay higher rates that reflect the true cost of ownership. ▪ User rates are subsidized by the revenue generated by the central service area.
8	<ul style="list-style-type: none"> • Loudoun Water and Harford County Water and Sewer have several similar business practices <ul style="list-style-type: none"> ○ Contractors/developers pay for infrastructure and are reimbursed by the County. The County's reimbursement window is longer than Loudoun Water's. ○ The County's water and sewer service area is set by the growth and development plans developed by the County. They do not determine growth areas.
9	<ul style="list-style-type: none"> • Loudoun County tells Loudoun Water "when, where and at what quantities" to provide service. Loudoun Water is responsible for determining how best to provide the service. <ul style="list-style-type: none"> ○ Accomplished with strong County Comprehensive Plan and corresponding Loudoun Water Master Plan ○ Provides population / development forecasts used by Loudoun Water to determine future system needs ○ Growth and economic development are County issues and dictated by County, Loudoun Water stays out of these issues to the greatest extent possible.

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10	<ul style="list-style-type: none"> • Loudoun Water identified several key benefits of operating as an authority including: <ul style="list-style-type: none"> ○ Business like practices ○ Bottom-lined focus while service oriented ○ No politics - decisions based on best way to serve customers ○ Personnel management ○ Singular focus – “providing water and sewer service” ○ Funds stay with Authority ○ Ability to leverage technology (GIS, AMI, SAP ERP, CIS, etc)

Authority Governance and Service Areas

Items	Minutes
1	<ul style="list-style-type: none"> • State statutes governing the formation and powers of authorities are very similar across states.
2	<ul style="list-style-type: none"> • One example of a water and sewer authority in Maryland: <ul style="list-style-type: none"> ○ The authority provided only water service to start and tried to create a framework to provide sewer service later. ○ The authority wanted to start simpler and become more comfortable with its operations before providing several different services ○ When the authority wanted to begin providing sewer service it was difficult. The change in services provided required a change in the articles of incorporation, so all of the authority directors and political bodies of the participating political subdivisions (PSDs) had to approve of the change in services.
3	<ul style="list-style-type: none"> • The authority board (board) can determine the authority’s policies that are not specifically enumerated in the articles of incorporation (articles).
4	<ul style="list-style-type: none"> • Experience shows that it is often better to resolve difficult issues initially in the articles than resolve issues at a later time and amend the articles at that time.
5	<ul style="list-style-type: none"> • Withdrawal from the authority: <ul style="list-style-type: none"> ○ If a member PSD wants to withdraw from an authority, it does not have to be approved by the other member PSDs. ○ It is difficult for a member PSD to withdraw from an authority after the authority takes on obligations.

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6	<ul style="list-style-type: none"> • The board of directors are typically involved in matters regarding the authority’s budget and personnel decisions [down to a certain level of employee]. <ul style="list-style-type: none"> ○ Experience shows that the level of involvement of Loudoun Water’s authority board is not typical; the board is less involved than those of other authorities.
7	<ul style="list-style-type: none"> • If board members are appointed to longer terms, their autonomy from the PSDs increases because they have more time to govern; shorter terms allow the PSDs to exert more control because board members can be removed sooner if they do not approve of their decisions.
8	<ul style="list-style-type: none"> • The members of the first board are critical. They are the “founding fathers” of the authority.
9	<ul style="list-style-type: none"> • It must be recognized that once the articles are written, it is up to the board members to interpret and enforce them. The member PSDs are not in direct control of the authority.
10	<ul style="list-style-type: none"> • Experience shows that authority boards operate best when the members have diverse and balanced background.
11	<ul style="list-style-type: none"> • Time requirements for the board of directors: <ul style="list-style-type: none"> ○ The Maryland statute does not stipulate a specific time requirement for the board of directors. ○ Required time commitments can be included in the authority articles or bylaws. ○ Ideally, the board would meet once per month at a minimum.
12	<ul style="list-style-type: none"> • Attending industry conferences or meetings can be beneficial so the board members can see trends and developments within the industry.
13	<ul style="list-style-type: none"> • Compensation for the board of directors: <ul style="list-style-type: none"> ○ The terms of compensation can be defined either within the authority’s articles or bylaws, or outside the authority’s jurisdiction as an agreement with the member PSDs. ○ Board members from all the PSDs are compensated the same amount. The only member who could potentially receive a higher compensation is the chairperson. Additionally, Board members who serve as elect officials or employees of the member PSDs cannot receive compensation per the State statute. ○ One way to limit the potential for a conflict of interest is to limit the amount board members are paid, or do not pay board members at all outside of direct expenses they incur (e.g. travel mileage). ○ One way to encourage the time commitment from board members is to pay them per meeting they attend, not annually.

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14	<ul style="list-style-type: none"> • Once an authority is formed, committees can be formed to determine best practices for the authority to follow. Common board committees include finance, capital improvements, personnel and audit.
15	<ul style="list-style-type: none"> • Agreements and contracts <ul style="list-style-type: none"> ○ Before forming or joining an authority, PSDs should review the agreements (interagency agreements, vendor contracts, labor agreements) to determine if they can be assumed by the new authority or need to be re-negotiated. ○ Even if agreements state they are not assignable, if all parties to the agreement agree to assign the agreement to the new authority, which can often be worked out.
16	<ul style="list-style-type: none"> • The Maryland statute allows an authority to provide services partly outside the boundaries of the member political subdivisions. <ul style="list-style-type: none"> ○ If a service area is geographically isolated from the PSDs, it must be physically connected (e.g., water or sewer piping). ○ If geographical limits are desired, they can be included in the articles of incorporation. ○ Services such as management or contract operations for other facilities are not limited geographically (unless stated in the authority's articles or bylaws) as long as there is no commodity (water or sewer) in the transaction.
17	<ul style="list-style-type: none"> • Harford County has contributed connection fees ("owns some capacity") of a wastewater treatment plant in Pennsylvania.
18	<ul style="list-style-type: none"> • Harford County's Water & Sewer Master Plan is the only plan recognized and approved by the Maryland Department of the Environment (MDE). <ul style="list-style-type: none"> ○ If there is a dispute between the County or any of the municipalities regarding the Water & Sewer Plan, it is decided by MDE.
19	<ul style="list-style-type: none"> • In addition to the interagency bulk sale agreement between the entities, Harford County provides water service for part of the City of Aberdeen. <ul style="list-style-type: none"> ○ There is no contract between the County and City for this service, it is considered part of Harford County's service area.
20	<ul style="list-style-type: none"> • If a water and sewer authority is formed in Harford County, the Water & Sewer Master Plan will still be submit through Harford County. <ul style="list-style-type: none"> ○ Essentially, the plan would be an authority product, but routed through the County.

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21	<ul style="list-style-type: none"> • Service area considerations if a water & sewer authority is formed in Harford County: <ul style="list-style-type: none"> ○ The County would still decide land use; the authority would just support the land use plan (similar to Loudoun Water). ○ How strictly is the service area defined? Too strict and it is difficult to amend if needed; not strict enough and the authority may provide services in areas not in line with land use plan or that are not economically viable. ○ Could the service area be synonymous with the County development envelope?

Any suggested revisions should be forwarded to the GHD Bowie Office in writing within ten (10) days of receipt or these minutes shall stand as written. For queries, errors, or omissions, please contact John Stullken by email at john.stullken@ghd.com.